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Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women

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Audit matters

Report of the Audit Advisory Committee for the period from 1 January to 31 December 2015

I. Introduction

1. Pursuant to item 29 of the terms of reference of the Audit Advisory Committee (AAC), the fourth report of the Committee to the Under-Secretary-General/Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) provides a summary of the activities undertaken and the advice given by the AAC in 2015. The present report is made available to the Executive Board and, upon request, the Chair presents the report to the Board.

Background

2. In May 2012, the Under-Secretary-General/Executive Director of UN-Women approved the original terms of reference of an oversight committee, to be known as the AAC. The terms of reference may be modified from time to time, as necessary. In January 2016, the Under-Secretary-General/Executive Director approved revised terms of reference, which are available from www.unwomen.org/en/about-us/accountability/audit.

3. Item 1 of the terms of reference describes the Committee as having been established to provide the Under-Secretary-General/Executive Director with independent, external advice based on good practice regarding the organization's accountability framework and systems, including risk management. The Committee assists the Head of the Entity in fulfilling its oversight responsibilities in accordance with relevant best practices. The Committee has an advisory role and is not a governance body; no language or clauses in the terms of reference are intended to imply otherwise.

4. In September 2012, the Under-Secretary-General/Executive Director formally constituted the AAC to further enhance accountability and "promote proper governance and high ethical standards, as well as the adoption and use by

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management of best practices in risk and financial management" within UN-Women, in accordance with item 2 of the terms of reference.

5. During 2015, the following five members constituted the AAC: Catherine Bertini (United States of America, January-October 2015), William Fowler (United States of America), Elizabeth MacRae (Canada), Yuen Teen Mak (Singapore) and Lamin Sise (The Gambia, effective July 2015). The Committee as a whole is made up of experts in financial and programme matters, accounting, governance, internal audit and investigation, external audit, internal control and risk management practices and principles and United Nations intergovernmental and normative work and processes.

6. In accordance with items 6 and 7 of the terms of reference, all Committee members are independent of and external to UN-Women. Additionally, Committee members complete an annual confirmation of independence for the Under-Secretary-General/Executive Director that assures the transparency of Committee members fulfilling their roles, without compromising any interests.

II. Audit Advisory Committee activities and advice as at 31 December 2015

7. In 2015, the AAC held four face-to-face meetings, on 5 and 6 March, from 21 to 23 April, on 22 and 23 July and from 18 to 20 November. UN-Women participants in the meetings included the Under-Secretary-General/Executive Director, the two Deputy Executive Directors and relevant representatives of programme and operational senior management. As required, the Committee also met without management present and had separate in-camera meetings with the Under-Secretary-General/Executive Director, the Board of Auditors and the Director of the Office of Audit and Investigations of the United Nations Development Programme (UNDP), which is the Office responsible for the UN-Women Audit Unit. The Committee also met with UN-Women's Legal Officer. The Chair of the Committee participated in the annual session of the Executive Board in July 2015. In addition to formal meetings, Committee members continued their internal consultations and deliberations, document review and provision of advice to UN-Women management via telephone and e-mail interaction.

8. Minutes from the meetings were prepared and approved. The Committee interacts regularly with the Under-Secretary-General/Executive Director during each meeting and formally reports on its deliberations after each on-site meeting.

9. As at 31 December 2015, the Committee was comprised of only four members and is in the process of being renewed. It is important that the Committee continues to have the appropriate balance of skills, experience and diversity to continue to carry out its functions effectively.

A. Board of Auditors

10. The Committee has met regularly with the Board of Auditors to share relevant information and understand the strategies implemented to ensure overall audit coverage for UN-Women, which includes the work performed by the UN-Women Audit Unit.

11. The Committee has regularly been updated on the implementation status of the recommendations contained in the reports of the Board of Auditors. The Committee supports efforts by UN-Women to handle the outstanding issues, particularly in ensuring that underlying systemic and strategic issues are addressed in a consistent and ongoing manner.

B. Regional architecture and organizational challenges

12. The Committee has been briefed extensively by senior management on the organizational challenges that UN-Women has experienced since its formal inception in 2011, when four entities of the United Nations were combined to create UN-Women.

13. In 2014, the implementation of the regional architecture of UN-Women was completed. The Committee understands the challenges of ensuring that appropriate staff complements are in place in Headquarters and each of the field offices. During 2015, UN-Women experienced an ongoing transition of senior management, which created some vacant positions. This may have increased challenges in ensuring a coordinated capacity to achieve results and in providing the necessary training and learning required to fully implement appropriate risk management and control strategies throughout the organization.

14. The Committee recognizes that regional and other field offices need the capacity to exercise authority in a decentralized work environment. It also notes that the requisite controls must be in place both at Headquarters and in the field to monitor and mitigate operational and strategic risks. The Committee understands that during 2015 not all country-specific internal control frameworks and delegations of authority were fully operationalized. The Committee understands that UN-Women is monitoring and assessing capacity to fully apply such frameworks when the appropriate capability is developed.

15. The Committee also understands that UN-Women continues to update its Human Resource Strategy and implement organizational development initiatives. These initiatives include the development of a comprehensive performance management framework and participation on a United Nations inter-agency initiative to strengthen performance management, based on best practice and common areas of concern.

16. As noted in the Committee's previous reports, and given that the implementation of the regional architecture was one of the Entity's organizational priorities, the Committee expects that through UN-Women's monitoring of its key performance indicators, it will be in a position to report substantively on the realization of benefits, including operational efficiencies, which were expected as a result of decentralization. The Committee understands that in 2015 an independent evaluation of the regional architecture was initiated and looks forward to learning the conclusions from that evaluation in 2016.

C. Programming initiatives

17. Historically, UN-Women has worked with a large number of implementing partners with small funding allocations. During 2015, UN-Women embarked on a

consultative process with staff to identify key priority or focus areas to further align the Entity's normative, coordination and operational work. As a result, Flagship Programming Initiatives (FPIs) were rolled out. These are intended to allow UN-Women to move from a large number of small programmes to a small number of large programmes, to facilitate resource mobilization through a more coordinated effort and to build partnerships in the field to actualize transformative change.

18. The Committee supports UN-Women in its initiative to move to Flagship Programming Initiatives. The Committee recommends that appropriate performance indicators be developed and integrated into the Flagship Programmes to ensure that the expected results can be measured and reported on. The Committee also suggests that the Independent Evaluation Office be involved at the inception of these programmes to ensure that effectiveness measures are developed and subsequently used to evaluate the impact of the programmes.

19. As part of the change management process underpinning the implementation of Flagship Programmes, the Committee understands that UN-Women will focus on strengthening business development skills and providing other relevant training for UN-Women field representatives.

20. The Committee also recognizes that the Entity is implementing an organizational management and reporting system initiative, which is part of the Business Efficiency Project launched in 2014. The Committee understands that this initiative will deliver upgrades and systems that provide various process improvements, including a more direct link between programme results and budget expenditures. It will also facilitate the tracking of performance indicators and enhance donor reporting.

D. Funding framework and resource mobilization

21. The Committee appreciates the elements included and the complexities of UN-Women's Funding Framework and budgetary processes. The Committee underscores the importance of ensuring transparency and cost alignment in the funding framework — for example, that all costs are funded from the correct funding sources, and that central costs are proportionally funded from core and non-core resources. The Committee understands that a cost-recovery policy was formalized in December 2015 to support managers in costing appropriately.

22. One key aspect of UN-Women's financial realities is its resource mobilization targets and strategies. As noted in previous reports, the Committee understands the potential opportunities that the regional architecture has created to strengthen and increase the linkages for inter-agency coordination and resource mobilization at the local level.

23. The Committee recognizes that UN-Women developed a Resource Mobilization Strategy 2014-2017. This strategy is intended to enable a coordinated effort involving a contribution from every part of the organization — under the leadership of the Under-Secretary-General/Executive Director — to help reach the targets for voluntary contributions to support full implementation of the UN-Women Strategic Plan 2014-2017. The Committee also understands that UN-Women provided a strategic brief on resource mobilization to the Executive Board in July

2015 and is currently developing a Private Sector Engagement Strategy, which will be finalized in 2016.

24. The Committee commends UN-Women on the increase of its non-core resource portfolio in 2015. However, the Committee continues to note the Entity's ongoing challenges regarding resource mobilization in 2015. While some challenges relate to the exchange-rate losses and shifting priorities of donors, some may also be due to UN-Women's ambitious targets.

25. The Committee understands that mobilization targets and strategies and the allocation of resources may need to be improved in regional and country offices. It reiterates the need to clarify organizational responsibility and accountability for both core and non-core resource mobilization at the field level. Having standard resource mobilization targets in field offices may not be realistic, given the unique environmental and organizational factors found in the various field offices. Without clear assignment of responsibility and realistic targets, the risks of not meeting resource requirements are increased, and resources may not be sufficient for UN-Women to carry out its mandate.

26. Furthermore, while the pace of resource mobilization needs to be accelerated and delivery through implementing partners needs to be more effective, the Committee recommends prudence in UN-Women resource mobilization efforts. UN-Women should therefore guard against a tendency to accept all moneys, which could lead to non-reversible long-term commitments and future risks to the Entity's core mandate.

E. Enterprise risk management

27. In 2015, UN-Women approved its enterprise risk management policy and used a phased approach to begin implementing the strategy, embedding and mainstreaming enterprise risk management into its business processes. The Committee supports UN-Women's efforts to date. The Committee reiterates the importance of clearly identifying accountability and responsibility for risk ownership, differentiating between risk managers and risk owners, ensuring appropriate confidentiality of risk management information, and aligning and integrating the internal control framework principles and practices with those of the enterprise risk management framework.

28. The Committee also stresses the importance of both the Board of Auditors and internal auditors being cognizant of the enterprise risk management framework and its components.

F. Evaluation function

29. The Independent Evaluation Office shared its 2014 Report on the evaluation function at UN-Women and its 2014-2017 Corporate evaluation plan with the Committee. As noted previously, the Committee believes that evaluation results should reflect achievements expected in the Strategic Plan and be used to increase knowledge and improve performance results. In this respect, it is particularly important that the annual evaluation report is practical, realistic and usable and reflects clearly how the programmes have been effective. The Committee noted that the 2014 report included examples of lessons learned from corporate and

decentralized evaluations that were used to foster change. In this way, identification of good programme examples showcases UN-Women capabilities and successes, so as to support resource mobilization and attract donor funds.

30. The Committee continues to stress the importance of appropriate centralized and decentralized resourcing of the evaluation function. The Committee understands that the future projected budget for the evaluation function is 3 per cent of UN-Women's total plan/programme budget, as recommended in its evaluation policy. The Committee believes that this percentage appears high, given the size of UN-Women and the resource challenges that it faces. It therefore suggests that a benchmarking review/assessment be undertaken with comparable international evaluation functions, particularly with respect to staffing and resources.

G. Internal audit

31. The Committee recognizes that UN-Women entered into a Service Level Agreement with the Office of Audit and Investigations (OAI) of UNDP in December 2011 to conduct internal audits and investigations on behalf of UN-Women. The Committee notes that a further agreement for an additional two years was entered into in December 2013.

32. In 2014, UN-Women commenced the process of determining whether value for money was obtained through outsourcing the internal audit function or whether an in-house internal audit function would be preferable. In its 2014 annual report, the Committee recommended that the UN-Women Audit Unit, established through the Service Level Agreement with UNDP, be continued until such time as UN-Women had its full senior management structure and complement in place and the costs and benefits of any subsequent transition of the internal audit function were identified and approved by the Executive Board. In December 2015, UN-Women renewed its Service Level Agreement for an additional two years.

33. The Committee also recommended in its 2014 report that, as part of the process of studying options for the most appropriate internal audit model, UN-Women determine the level of audit assurance required. This is particularly important in view of Executive Board decision 2015/4 requesting that the internal audit and investigation offices include in annual reports "a) An opinion based on the scope of work undertaken and on the adequacy and effectiveness of the Entity's framework of governance and risk management and control; (b) A concise summary of work and the criteria that support the opinion; ... (d) A view on whether the resourcing of their function is appropriate, sufficient and effectively deployed to achieve the desired internal audit and investigation coverage".

34. The Committee reiterates the importance of regularly monitoring and assessing resource levels and capacity to ensure that they are appropriate and sufficient to address the overall assurance needs of UN-Women. The Committee notes in paragraph 18 of the Report on internal audit and investigation activities for the period from 1 January to 31 December 2015(UNW/2016/4), "the OAI requested additional resources in 2016. Although several discussions took place in 2015, as of 31 December 2015 management had not committed to providing additional resources prior to reverting to the Executive Board on its budget." The Committee supports the continued strengthening of the internal audit services of UN-Women in order to ensure sufficiency of audit coverage in audit plans.

35. The Committee also reiterates its recommendation that UN-Women study the options for the most appropriate model to deliver internal auditing — through outsourcing or an in-house function. As noted in the 2014 AAC annual report, this should be fully supported by a comprehensive budget proposal for the consideration of the Executive Board. The Executive Board carefully considers the resources required to manage the realization of a full transition to internal auditing capacity, in addition to the resources needed to establish the management and administrative infrastructure of the function.

36. While the Committee understands that the UN-Women Audit Unit communicates its annual workplan to the Board of Auditors, it is also important that the Unit and the Board of Auditors engage in more ongoing communication and collaboration to ensure the complementarity of the audit functions. This is particularly relevant in view of the opinion requested by the Executive Board, noted in paragraph 33.

37. The Committee understands that the UN-Women Audit Unit is considered operationally independent from UNDP. However, the Committee remains concerned that there may be potential conflicts of interest because UNDP undertakes some administrative functions for UN-Women through other Service Level Agreements, such as for information and communications technology systems and the administration of payroll, benefits and entitlements. As a compensating control and in order to ensure transparency and best value for money, the Committee reiterates the importance of having an independent organizational focal point in UN-Women to oversee internal audit activities and ensure that results are integrated into the senior management structure.

38. The Committee reviewed the annual workplans for the UN-Women Audit Unit for both 2015 and 2016 and recommended the approval, in principle, of the plans. The Committee notes that starting in 2015, the plan also included financial audits of projects directly implemented by UN-Women, thereby increasing the assurance provided.

39. For 2017, the Committee recommends that internal audit re-visit its audit universe in view of the implementation of regional architecture. In addition, the annual risk assessment of both headquarters entities and processes and field offices may have to be refined to reflect changes to UN-Women's organizational structure and strategic and operational priorities and to leverage the results of the Entity's risk registers, developed as part of its enterprise risk management framework.

40. The Committee was provided with quarterly progress reports and briefed on the results of the various audit engagements performed during 2015, including systemic and recurring issues of interest. It is important that UN-Women address recurring audit issues, particularly those dealing with Entity-wide or corporate issues, such as policy guidance and corporate support.

H. Investigations

41. The Committee received regular updates from the OAI, which provided an overview of the investigation caseload, the breakdown of the nature of the allegations, and the status of the cases.

42. The Committee reiterates the importance of the Under-Secretary-General/Executive Director and relevant members of UN-Women senior management receiving timely reports setting out the current investigation cases as well as management action taken as a result of closed investigation cases. In that way, UN-Women can satisfy itself that there is appropriate follow-up for cases that warrant investigation and that UN-Women's accountability for decision-making and results is assured. The Committee stresses the importance of UN-Women documenting and understanding the institutional process for identifying and investigating wrongdoing to ensure that it is appropriately addressed.

43. The Committee also notes that the link to reporting wrongdoing on UN-Women's external website is difficult to locate. As such, whistle-blowing information may not be readily available for easy access. The Committee suggests that UN-Women review the Entity's Whistle-blowing policy and its implementation to ensure that it is sufficiently comprehensive and easily understood.

I. Financial statements

44. The Committee reviewed the draft financial statements for the year ended 31 December 2014. The Committee commends UN-Women on receiving an unqualified audit opinion from the Board of Auditors for the fourth consecutive year since its inception in 2010. The financial reporting for UN-Women continues to improve and refinements continue to be made, as necessary. The Committee stresses the importance of appointing a permanent Director of Management and Administration — a position that has been vacant since 28 March 2015 — to ensure that financial management and reporting continue to be effective.

45. The Committee reiterates that UN-Women continues to monitor closely the management of advances made to implementing partners and understands that the Entity is developing a strategy to address the issue of partner advances, including capacity-building, and impairment and write-off policies.

J. Relationship with the United Nations Development Programme

46. As noted in paragraph 37, the Committee is aware that UN-Women has entered into Service Level Agreements with UNDP to undertake some of the Entity's administrative functions. UN-Women remains accountable for the Entity's overall performance; the Committee therefore reiterates the importance of UN-Women continuing to implement the relevant processes and procedures to ensure that any such outsourced functions are performed appropriately and represent value for money.

III. Final considerations

47. The AAC has reviewed the Report on internal audit and investigation activities for the period from 1 January to 31 December 2015 (UNW/2016/4), to be submitted to the Executive Board at its annual session, and has taken note of the significant internal audit results identified.

48. The Committee expresses its support for the continued strengthening of governance, risk management, internal controls and accountability at UN-Women. However, the Committee is concerned that the current funding situation of UN-Women may affect its ability to adequately resource key accountability functions and activities such as internal audit (including increasing audit coverage), enterprise risk management, and monitoring and oversight.

49. The Committee supports the continued collaboration of UN-Women with partners within and outside the United Nations in achieving its strategic objectives in advancing gender equality, promoting the empowerment of women and girls and ending violence against women.

Annex

Management response to the report of the Audit Advisory Committee

The management of UN-Women acknowledges the fourth report of the Audit Advisory Committee and expresses its appreciation to the distinguished members of the Committee for their dedication to the organization's mandate.

Board of Auditors

UN-Women management values the comments by the Audit Advisory Committee to continually address the United Nations Board of Auditors' external audit observations with conclusive actions, particularly the underlying systemic and strategic issues. Considerable progress in the implementation of audit recommendations has been achieved, as indicated in the report of the United Nations Board of Auditors (A/70/5/Add.12) for the year ended 31 December 2014. To date, all of the 28 audit recommendations issued for 2011 have been implemented. For the financial year 2012, 15 of the 17 audit recommendations have been accomplished and action plans have been developed to address the remaining two recommendations. Similarly, seven out of the 12 audit recommendations issued for the financial year 2013 have been implemented and five audit recommendations are currently being implemented. UN-Women management is committed to consistently monitoring the implementation of external audit recommendations issued by the Board of Auditors.

Regional architecture and organizational challenges

UN-Women values the attention given by the Committee to the regional architecture and to the challenges of ensuring the appropriate staff complements in Headquarters and in field offices. The Entity recognizes the ongoing nature of transitions in staffing, similar to those of other organizations. Transitions in senior management that occurred in 2013 and 2014 have now been almost finalized, with all but one senior management position filled at Headquarters. During these transitions, UN-Women management put in place a system of officers-in-charge to ensure business continuity and continued capacity.

UN-Women agrees with the Committee's emphasis on ensuring adequate capacity for regional and other field offices to exercise authority in a decentralized work environment. As part of a business process mapping and re-engineering initiative, UN-Women is improving systems to take better account of the decentralized nature of the Entity.

As recommended by the Committee, UN-Women is committed to thoroughly assessing the benefits of the regional architecture, both through the monitoring of key performance indicators and through the results of the evaluation of the regional architecture, which is currently ongoing.

As per the regional architecture roll-out, all offices have initial internal control frameworks. Delegations of authority have also been issued. The initial internal control framework process was rigorous and comprehensive. UN-Women is in the

process of comprehensively reviewing the status of these frameworks and ensuring that all updates have been completed in order to keep its internal framework current and relevant.

UN-Women continues to improve its human resources policies, processes, and systems that support the workforce, mitigate risks, and create an enabling environment for delivery. As part of the new Human Resources Information System, an e-recruitment platform will be launched in 2016, which will further streamline the recruitment and selection process and reduce average recruitment time. A new global rotation policy was adopted in 2015, following wide consultations, to ensure that the organization has the right set of skills in the right location. This policy also supports professional development and career advancement by increasing the exposure of staff on rotational posts to different contexts, in a way that is considerate of staff career development aspirations and personal circumstances.

Programming initiatives

UN-Women welcomes the Committee's support to Flagship Programming Initiatives. UN-Women is in the process of finalizing the development of detailed indicators at impact, outcome and output levels. The Independent Evaluation Office was consulted in the preparation of the theories of change that underpin each Flagship Programme and it will continue to be engaged in this process.

To support the implementation of the Flagship Programming Initiatives, UN-Women is undertaking a business process re-engineering initiative to make various process improvements. These include a more direct link between programme results and budget expenditures, the tracking of performance indicators, and improved donor reporting.

UN-Women has also taken steps to design and implement a business development training programme for key staff in the field and Headquarters and expects to roll-out trainings in 2016. These trainings will lead inter alia to an increased organizational knowledge of project and programme management best practices and to increased capacity to design and implement top-quality programmes, such as the Flagship Programming Initiatives. UN-Women's business efficiency project — the Organizational Management and Reporting System (OMRS) — was successfully completed within budget and scope. The lessons learned from establishing an inclusive process and strong leadership are being used to strengthen UN-Women's information and communications technology (ICT) governance.

Funding framework and resource mobilization

UN-Women adopted a new cost-recovery policy to ensure correct, transparent and consistent recovery of direct and indirect costs, applying the harmonized framework approved by the Executive Boards of Funds and Programmes. In line with the Quadrennial Comprehensive Policy Review (QCPR) and Executive Board decision 2013/2, the implementation of the cost-recovery policy ensures the full and consistent application of the principle that core resources should not subsidize programmes and projects funded from non-core resources. This requires the collaboration of donors that finance non-core programmes and projects, particularly during the planning and budgeting stage, to ensure that all direct costs are budgeted

in respective project and programme budgets. In addition to direct costs, per Executive Board decision 2013/2, non-core resources incur a cost recovery fee of 8 per cent, to support costs incurred by the organization that cannot be traced unequivocally to specific projects and programmes.

Resource mobilization remains a top organizational priority and UN-Women values the attention that the Committee has given to this issue. Despite continued resource mobilization challenges, UN-Women has seen a steady progression in income since its inception. On this basis, targets were set for the institutional budget 2016-2017 to be as realistic as possible while keeping a degree of ambition. Despite a challenging environment marked by exchange rate losses and competing priorities for UN-Women's major donors, UN-Women managed to keep losses in 2015 relatively low. In addition, UN-Women managed to increase its non-core resources. In 2016, UN-Women has already received indications from several donors of a doubling in core contributions.

UN-Women will continue efforts to diversify and deepen its funding sources in 2016 and beyond. In addition to its efforts for core resources, UN-Women has also put in place mechanisms to attract greater non-core funding of higher quality, including its Flagship Programming Initiatives, soft-earmarking at the thematic level, and direct funding of strategic notes at the country level.

UN-Women takes note of the Committee's recommendation on the need to clarify organizational responsibility for core and non-core resource mobilization at the field level. With regard to the mobilization of core resources, UN-Women representatives are only required to follow up on the standard funding request sent by Headquarters to all Member States. With regard to the mobilization of non-core resources, the accountability for achieving corporate annual non-core revenue targets as determined in the Integrated Budget lies with the Bureau of Policy and Programme with support, coordination and guidance from the Strategic Partnership Division. Responsibility for non-core resource mobilization is distributed between regions based on an analysis undertaken in early 2015, which looks at historical performance, trends in official development assistance, and corporate investment. Regional Directors set resource mobilization targets for each country based on a thorough analysis of the different circumstances of each country context. Accountability for resource mobilization is reflected in the individual performance plans of all relevant staff members.

UN-Women is also improving its capacity to track resource mobilization and pipeline management, as well as donor reporting, by strengthening its information systems.

Enterprise risk management

UN-Women appreciates the attention that the Committee has given to enterprise risk management and welcomes the Committee's support for UN-Women's efforts to date.

The enterprise risk management framework clearly defines accountability and responsibility for risk ownership and spells out roles and responsibilities. The framework will be amended to differentiate further between risk managers and risk owners, as per the Committee's recommendation. Risk managers are defined as staff members with overall accountability for all risks and their mitigation within their

respective units, and with the duty to assess the effectiveness of risk mitigation actions. Risk owners are defined as members of the risk unit with the responsibility for the implementation of specific risk-mitigating actions identified within a unit.

In line with UN-Women's emphasis on transparency, UN-Women staff members have unrestricted access to information contained in risk registers. This access also helps to ensure global compliance and consistency. Nevertheless, this information is considered internal information and, as such, staff members are required to treat it with the utmost discretion and not to disclose it externally without prior authorization.

UN-Women agrees with the Committee's recommendation to align internal control framework principles and practices with those of the enterprise risk management framework. The current internal control framework refers to risk assessment and related risk management processes. A review of the internal control framework is currently under consideration, which will allow further alignment with the enterprise risk management framework.

UN-Women agrees with the Committee's recommendation on the importance of sharing the enterprise risk management framework with the Board of Auditors and internal auditors, and this process is currently under way.

Evaluation function

UN-Women acknowledges the Committee's satisfaction with the 2014 annual report of the evaluation function, which included examples of lessons learned from corporate and decentralized evaluations that were used to foster change. To ensure that the annual evaluation report is practical, realistic and usable, the Evaluation Office will continue to include such examples, as well as clear key performance indicators with an assessment of their status versus expected targets. These indicators provide practical and usable information covering all the key elements of the UN-Women evaluation function, including the implementation status of the Corporate Evaluation Plan.

UN-Women agrees with the Committee on the importance of appropriate centralized and decentralized resourcing of the evaluation function. UN-Women is committed to complying with the evaluation policy that recommends a "minimum level of investment in evaluation [of] 3 per cent of the total plan/programme budget". UN-Women is in the process of reviewing the methodology for calculating investment in the evaluation function. This will ensure that all expenditures are accurately captured, particularly at the decentralized level, and that the total denominator of "programme budget" accurately reflects the relevant cost classification categories approved by the Executive Board and used in the Integrated Budget 2016-2017. UN-Women also agrees with the Committee on the importance of carrying out a benchmarking review with comparable international evaluation functions, particularly with respect to staffing and resources considering UN-Women's early stage of development, relatively small size and resource constraints.

Internal audit

UN-Women continues to examine all options for the most viable internal audit model for UN-Women. In early 2016, UN-Women briefed the Committee on the preliminary results of ongoing analyses, rising audit costs, and planned actions with, and proposals to, the OAI for cost efficiencies while aiming to raise the audit coverage and without compromising the independence of the audits. As recommended by the Committee, UN-Women will present a budget proposal to the Executive Board for consideration.

UN-Women agrees with the Committee's recommendation for more ongoing communication and collaboration to ensure complementarity of audit functions between the UN-Women Audit Unit and the Board of Auditors. UN-Women will foster this collaboration.

The internal audit function reports directly to the Under-Secretary-General/ Executive Director. This is in line with the Professional Standards requirements to address potential conflicts of interest and to ensure independence. The Chief of the UN-Women Audit Unit provides the Executive Director's Office with regular quarterly verbal briefings on the internal audit function. UN-Women's senior management team is also briefed on a quarterly basis by the Director of the Office of Internal Audit and Investigation and his team on key concerns and issues relating to the audit and investigations of UN-Women.

In line with the terms of the Service Level Agreement and as per the International Internal Audit Standards, the UN-Women Audit Unit plans to carry out annual risk assessments to align audit plans, based on the risks assessed, with the Entity's priorities. Through developing an enterprise risk management framework, UN-Women has improved its risk registration and analysis. UN-Women has shared all available information for use with internal audit functions. UN-Women agrees that as the regional architecture has been implemented, the audit universe will need to be reconsidered.

Investigation

UN-Women agrees with the Committee's recommendation on the importance of timely reports to the Under-Secretary-General/Executive Director and to UN-Women's senior management team on current investigation cases as well as management action taken as a result of closed investigation cases. UN-Women also agrees with the importance of documenting and understanding the institutional process for identifying and investigating wrongdoing to ensure that it is properly addressed.

In 2015, as part of the regular briefings between the OAI and UN-Women's senior management team, UN-Women management received detailed information on trends and patterns of investigation cases, thereby allowing it to take appropriate systemic action to address them. In addition, respective managers have been receiving detailed information on progress on investigations to allow appropriate action. UN-Women's caseload remains relatively low and is aligned with OAI's apportioned model of servicing.

UN-Women takes note of the Committee's recommendation to make the link to report wrongdoing and to access whistle-blowing information more visible on the external and internal websites. The Entity will take the necessary steps in this direction.

Financial statements

UN-Women acknowledges the commendation of the Committee for receiving an unqualified audit opinion from the Board of Auditors for the fourth consecutive year since its inception in 2010. UN-Women has noted the concern related to filling the Director of Management and Administration vacancy and is taking measures to address this issue, notwithstanding the adequate interim arrangements that were put in place.

The management strategy to address the issue of long outstanding advances to partners, including capacity-building, and impairment and write-off policies, is being implemented. As at 31 December 2015, advances to partners that had been outstanding for more than six months had been significantly reduced to $5.4 million or 14.1 per cent of total advances, compared with $18.4 million or 44.4 per cent in 2014.

Relationship with the United Nations Development Programme

UN-Women agrees with the Committee's observation on the importance of monitoring the functions that are outsourced to UNDP. The Entity continues to take measures, including proper monitoring, to ensure that all outsourced functions are performed appropriately and that value for money is obtained from all functions outsourced to UNDP.